

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 15, 2004
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER^{OS}
SUBJECT: BUDGET MEMO #6: ADMISSIONS TAX STUDY

ISSUE: Admissions Tax Study for FY 2006

RECOMMENDATION: That City Council review this report in preparation for the budget work session scheduled for March 16.

DISCUSSION: During the preparation of the FY 2005 Proposed Budget, staff studied the possible establishment of an admissions tax to diversify the City's revenue sources. If state law permitted levying an admissions tax only on movie theaters, an "up to" 50 cent per ticket tax would generate an estimated \$1.1 million to \$1.4 million per year. However, state law currently requires that an admissions tax be levied on any profit and non-profit theater and entertainment events where an admission is charged, as well as charitable fund raisers where 100 percent of gross receipts do not go to charity (such as most fund raising dinners.)

With these state law requirements and the potential impact on non-movie activities, it is recommended that the Budget and Fiscal Affairs Advisory Committee be asked to study for FY 2006: (1) if an admissions tax should be implemented; (2) what its rate structure should be; (3) the proportion of admissions tax revenue that would be derived from the non-movie sector and how the revenue could be returned to that sector (e.g., by increasing City funding of the Community Partnership and other funds, and/or by increasing support and promotion of the arts); and (4) what changes to the state code should the City pursue in the 2005 session of the General Assembly.

Attachment: Code of Virginia section 58.1-3817

Law Review. — For article, "Virginia Tax Laws Affecting Churches," see 18 U. Rich. L. Rev. 301 (1984).

§ 58.1-3816.1. Discount for collection of taxes. — Any county, city or town which requires local businesses, or any class thereof, to collect, account for and remit to such locality a local tax imposed on the consumer, may allow such businesses a commission for such service in the form of a deduction from the tax remitted. Such commission shall be provided for by ordinance, which shall set the rate thereof, not to exceed five percent of the amount of tax due and accounted for. No deduction shall be allowed if the amount due was delinquent. (Code 1950, § 58-851.5:1; 1984, c. 168.)

Editor's note. — This section, which was enacted by Acts 1984, c. 168, has been incorporated as part of Title 58.1, pursuant to § 9-77.11 and Acts 1984, c. 675, cl. 5. The number of this section was assigned by the Virginia Code Commission.

ARTICLE 5.

Admission Tax.

§ 58.1-3817. Classification of events to which admission is charged. — In accordance with the provisions of Article X, Section 1 of the Constitution of Virginia, events to which admission is charged shall be divided into the following classes for the purposes of taxation:

1. Admissions charged for attendance at any event, the gross receipts of which go wholly to charitable purpose or purposes.
2. Admissions charged for attendance at public and private elementary, secondary, and college school-sponsored events, including events sponsored by school-recognized student organizations.
3. Admissions charged for entry into museums, botanical or similar gardens, and zoos.
4. Admissions charged to participants in order to participate in sporting events.
5. Admissions charged for entry into major league baseball games and events at any major league baseball stadium which has seating for at least 40,000 persons.
6. All other admissions. (Code 1950, § 58-404.1; 1950, p. 635; 1971, Ex. Sess., c. 1; 1984, c. 675; 1989, c. 291; 1997, c. 287.)

Nothing in this section prohibits a city from imposing a tax on admissions of either class or both classes or from imposing different rates on the different classes. *City of Portsmouth v. Portsmouth Catholic Elementary School P.T.A.*, 217 Va. 199, 227 S.E.2d 691 (1976) (decided under prior law).

This is a classification statute which permits the taxing authority to treat each of two classes of admissions separately "for purpose of taxation." *City of Portsmouth v. Portsmouth Catholic Elementary School P.T.A.*, 217 Va. 199, 227 S.E.2d 691 (1976) (decided under prior law).

§ 58.1-3818. (Contingent expiration date — See note) Admissions tax in certain counties. — A. Fairfax, Arlington, Dinwiddie, Prince George and Brunswick Counties are hereby authorized to levy a tax on admissions charged for attendance at any event. The tax shall not exceed ten percent of the amount of charge for admission to any such event. Notwithstanding any other provisions of law, the governing bodies of such counties shall prescribe by ordinance the terms, conditions and amount of such tax and may classify between events conducted for charitable and those conducted for noncharitable purposes.